

**LOCAL BUSINESS TELEPHONE
SERVICE IN NEW JERSEY:
A SURVEY OF SMALL BUSINESSES**

Conducted for:

New Jersey Board of Public Utilities

Conducted by:

THE STATE UNIVERSITY OF NEW JERSEY
RUTGERS
Eagleton Institute of Politics
Center for Public Interest Polling
Patrick Murray, Project Director

Data Collection:

March-April 2003

**LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY:
A SURVEY OF SMALL BUSINESSES**

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	
1. INTRODUCTION	1
A. Project Background and Objectives	1
B. Study Methodology	1
C. Profile of New Jersey Small Businesses	2
D. Organization of the Report and Acknowledgments	5
2. LOCAL BUSINESS TELEPHONE SERVICE.....	7
A. Introduction	7
B. Local Telephone Service Providers.....	7
C. Other Local Telephone Services	11
D. Satisfaction with Local Telephone Service.....	12
E. Conclusions	13
3. LOCAL TELEPHONE COMPETITION.....	21
A. Introduction	21
B. Awareness of Competition	21
C. Choice in Local Telephone Service	22
D. Contact with Other Providers	24
E. Conclusions	25
APPENDICES:	
A. STUDY METHODOLOGY	
B. QUESTIONNAIRE	

LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY: A SURVEY OF SMALL BUSINESSES

EXECUTIVE SUMMARY

The survey of Local Business Telephone Service in New Jersey was developed by the Eagleton Institute's Center for Public Interest Polling at Rutgers University ("Eagleton"). The study, undertaken on behalf of the New Jersey Board of Public Utilities ("NJBPU"), was designed to assess the level of competition in the local telephone marketplace for New Jersey small to mid-size businesses. The survey was conducted in March-April 2003 with a sample of 801 small businesses in New Jersey, representative of businesses across the Verizon service area of the state.

PROFILE OF NEW JERSEY SMALL BUSINESS TELEPHONE USAGE

About 4-in-5 small businesses in New Jersey operate out of a single location. About 1-in-5 (19%) have only one telephone line at their main location, 24 percent have two telephone lines, 16 percent have three, 17 percent have 4 or 5, 17 percent have 6 to 15, and 6 percent have more than 15 lines serving their main location.

When the number of lines dedicated to fax and data services are subtracted from these totals, the survey found that nearly half of all businesses (47%) have a single voice line serving their main location.

Taking into account all phone lines managed by businesses in the state (including multiple locations), 17 percent of all small businesses in the state purchase local telephone service on one line, 23 percent are served by two lines, 15 percent by three, 18 percent by 4 to 5, 17 percent by 6 to 15, and 9 percent are served by more than 15 lines across all their locations.

LOCAL BUSINESS TELEPHONE SERVICE

Between 8-in-10 and 9-in-10 small businesses in New Jersey purchase both their local exchange and intraLATA telephone services from a single provider.

Verizon clearly has the largest market share, particularly among businesses with fewer than 6 telephone lines. Overall, 74 percent of New Jersey small businesses use Verizon for at least part of their local telephone service (either exchange or toll). Nearly two-thirds (63%) use Verizon for both local exchange and intraLATA service. Another 10 percent use Verizon for local exchange only and one percent for intraLATA only. In terms of local exchange service only, this translates to a 73 percent market share for Verizon.

AT&T is utilized by 16 percent of small businesses in the state. Eleven percent use AT&T for both local exchange and intraLATA service. Another 5 percent use AT&T for intraLATA only. In terms of local exchange service only, this translates to an 11 percent market share for AT&T.

About 16 percent of small businesses purchase their local telephone service from another provider or reseller, such as MCI, Allegiance, Cooperative, etc. Other providers are used by 11 percent of businesses for both local exchange and intraLATA service. Another one percent use other providers for local exchange only and 4 percent for intraLATA only. In terms of local exchange service only, this translates to an 11 percent market share for other providers.

Service retention (defined as providing both local exchange and intraLATA service to a business) is similar for all providers in the state. Verizon retains about 9-in-10 of its local exchange customers for intraLATA service (87%), which is similar to the retention rates for AT&T (96%) and other providers on average (91%).

Overall, about 9-in-10 New Jersey small businesses are satisfied with the local telephone service they receive regardless of who provides the service.

MARKETPLACE AWARENESS

3-in-4 New Jersey small businesses have received solicitations from local telephone service providers in the past year or two.

6-in-10 feel that they have enough choice available to them in the local telephone market. Another 16 percent say there is too much choice and 17 percent feel there is too little choice.

7-in-10 businesses are aware that they can use multiple providers for their local exchange and intraLATA services. Eight percent believe that they must use the same provider for all local services and 22 percent are not sure of this.

The only notable difference in marketplace awareness is that businesses with only one telephone line (61%) are somewhat less likely than those with two or more lines (67-80%) to know that they can use multiple providers for their local telephone services.

The survey results also indicate that smaller businesses are not looking for anything radically different than large businesses in terms of their local telephone service.

LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY: A SURVEY OF SMALL BUSINESSES

CHAPTER 1: INTRODUCTION

A. Project Background and Objectives

The small business survey of Local Business Telephone Service in New Jersey was developed by the Eagleton Institute's Center for Public Interest Polling at Rutgers University ("Eagleton"). The study, undertaken on behalf of the New Jersey Board of Public Utilities ("NJBP"), was designed to assess the level of competition in the local telephone marketplace for New Jersey small to mid-size businesses.

The study was designed to obtain a baseline of information about the provisioning of current telephone services, awareness of choice, and considerations in purchasing local service. The survey was taken with a sample of 801 small businesses in New Jersey, representative of businesses across the Verizon service area of the state.

B. Study Methodology

The population under study includes all small to mid-size non-government businesses in the Verizon service area of New Jersey. The sample was selected so that various business sizes under 250 employees would be adequately represented in the analysis. The final sample represents more than 95 percent of all business entities operating in the state.

The interviews were conducted from March 6 to April 10, 2003 by professional and experienced interviewers. The survey yielded a high cooperation rate of 82 percent among all eligible businesses that were contacted and an overall response rate of 50 percent.

The percentages obtained in a sample survey are estimates of what the distribution of responses would be if the entire population had been surveyed. “Sampling error” is a social science term which describes the probable difference between interviewing everyone in a given population and a sample drawn from that population. The overall sampling error associated with a statewide sample of 801 businesses is ± 3.5 percent at a 95 percent confidence interval. Thus, if 50 percent of those in such a sample are found to report a particular attitude, the percentage of agreement among businesses in the population from which the sample is drawn would be between 46.5 percent and 53.5 percent (50 percent $\pm 3.5\%$) 95 times out of 100.

Sampling error increases as the effective sample size is reduced. For example, if statements are made based on businesses with only one telephone line ($n=125$), the sampling error is approximately ± 8 percent. For sample groupings below $n=100$, the ability to make statistical inferences decreases significantly. For example, an n -size of 50 has a ± 14 percent margin of error. This is important when comparing the responses of different groups within the sample. Readers should also note that sampling error does not take into account other possible sources of error inherent in any study of public opinion. More information about the study methodology can be found in the appendix to this report.

C. Profile of New Jersey Small Businesses

The following gives an overview of small businesses in the state. In addition to assessing the distribution of telephone lines the survey also collected information that is akin to what service providers use to make marketing decisions. These demographic items supply a useful context for the main survey results presented in following chapters.

Four-in-five small businesses in New Jersey are single location enterprises. Just over 1-in-5 (22%) have only one employee, 35 percent have 2 to 4 employees, 17 percent employ 5 to 9 workers, 17 percent employ 10 to 49 workers, and 9 percent employ a workforce of 50 or more.

The survey sample is representative of businesses across the state, with 48 percent located in the northern eight counties of the state, 25 percent in the central five counties, and 27 percent in the southern eight counties. About half of all New Jersey small businesses (49%) are in the service sector, 25 percent are in retail or wholesale trade, 14 percent undertake construction or manufacturing, and 12 percent operate in utilities, transportation, real estate, or finance. About 4-in-10 businesses (40%) have annual revenues below \$200,000, 36 percent earn \$200,000 to \$1,500,000 a year, and 24 percent earn more than \$1,500,000 per year.

In terms of all local telephone services,¹ about one-third of all small businesses (34%) spend less than \$1,000 per year on local telephone service, nearly half (47%) spend \$1,000 to under \$5,000 per year, and 19 percent spend upwards of \$5,000 on local telephone service annually. Among multiple location companies in the state – about 15 percent of all small businesses – two-thirds purchase all telecommunications service at the corporate level and about half have a master purchasing agreement for all their locations.

Since a key data element in the telecommunications regulatory process is the number of telephone lines managed by a business, it is important to look at the distribution of lines among New Jersey small businesses. As Table 1.1 shows, there are a number of ways to discuss this distribution. Looking just at the main location for each company shows that about 1-in-5 (19%)

¹ Throughout this report the term “local telephone services” refers to both exchange and toll services. When survey results about distinct categories (“local exchanges service” or “intraLATA service”) are being discussed, they will be specifically noted as such in the report.

have only one telephone line, 24 percent have two telephone lines, 16 percent have three, 17 percent have 4 or 5, 17 percent have 6 to 15, and 6 percent have more than 15 lines serving their main location. When the number of lines dedicated to fax and data services are subtracted from these totals, it is found that nearly half of all businesses (47%) have a single voice line serving their main location. Of course, these businesses have to purchase local service on all their lines regardless of the use.

Since bulk purchasing of telephone service is also an important element in the marketplace, it may be most helpful to look at the total number of lines managed by each business. About 15 percent of all survey participants report that they are responsible for purchasing telephone service at more than one location in New Jersey. Taking all these locations into account shows that 17 percent of all small businesses in the state purchase local telephone services on one line, 23 percent are served by two lines, 15 percent by three, 18 percent by 4 to 5, 17 percent by 6 to 15, and 9 percent are served by more than 15 lines across all their locations in the state.

Among single location businesses in the state, just under half have only one (20%) or two (26%) telephone lines. In contrast, half of all multiple location businesses in the state (50%) purchase service on more than 15 lines. Only about 1-in-10 of these multiple location businesses are serviced by fewer than 4 lines.

As may be expected, the number of telephone lines increases with the number of employees, annual revenues, and local telephone expenditures. Businesses involved in utilities, transportation, real estate and finance are most likely to manage six or more telephone lines (42%). Construction/manufacturing firms are most likely to have three or fewer lines (67%). There are no significant differences in line distribution by region of the state.

D. Organization of the Report and Acknowledgments

The following two chapters summarize the main findings from the survey and each includes a set of tables. The next chapter details the provision of local telephone services to New Jersey small businesses. The following chapter looks at business awareness of competition in the local telephone market. The appendix includes a description of the survey methodology and a copy of the survey questionnaire. Throughout this report the results shown represent New Jersey businesses in the Verizon service area.

Patrick Murray was the project director for Eagleton and was assisted by Thomas Regan. The NJBPU team was headed by Harold Bond and Anthony Centrella. The interpretation of the survey findings in this report is the sole responsibility of the Eagleton Center for Public Interest Polling.

TABLE 1.1: DISTRIBUTION OF TELEPHONE LINES

		<u>One</u>	<u>Two</u>	<u>Three</u>	<u>4 - 5</u>	<u>6 -15</u>	<u>Over 15</u>
	All telephone lines at main location	19%	24%	16%	17%	17%	6%
	Voice lines only at main location	47%	18%	10%	9%	10%	5%
<hr/>							
	TOTAL LINES AT ALL LOCATIONS *	17%	23%	15%	18%	17%	9%
	<u>Locations in NJ</u>						
85%	- Single	20	26	16	19	16	3
15	- Multiple	--	4	7	15	24	50
	<u>Number of Employees</u>						
22%	- One	35	42	13	7	4	--
35	- 2 to 4	20	29	21	22	8	--
17	- 5 to 9	8	15	14	29	33	1
17	- 10 to 49	5	8	11	21	37	18
9	- 50 or more	5	--	5	4	19	68
	<u>Annual Revenues</u>						
40%	- Under \$200,000	29	35	11	12	7	6
36	- \$200K to 1.5 million	4	24	21	28	22	2
24	- \$1.5 million or more	2	6	10	17	35	30
	<u>Annual Local Telephone Costs</u>						
34%	- Under \$1,000	34	42	9	10	4	1
47	- \$1,000 – 4,999	8	21	25	26	18	3
19	- \$5,000 or more	2	5	5	14	35	38
	<u>Industrial Classification</u>						
14%	- Construction/ Manufacturing	18	30	19	13	14	5
12	- Utilities/Transportation/ Finance/Real Estate	10	10	19	19	28	14
25	- Retail/Wholesale	15	25	14	18	19	8
49	- Services	20	23	13	19	14	10
	<u>Region of State</u>						
48%	- North	19	19	15	18	18	11
25	- Central	15	23	17	20	17	8
27	- South	16	30	13	17	16	8

* *This represents the total number of lines that business managers
in New Jersey companies are responsible for.*

LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY: A SURVEY OF SMALL BUSINESSES

CHAPTER 2: LOCAL BUSINESS TELEPHONE SERVICE

A. Introduction

This chapter identifies the local telephone services used by small businesses in the state. The analysis focuses specifically on the use of a single or multiple provider for local service and the actual distribution of companies that provide local exchange and intraLATA services. The chapter also examines use of optional features and wireless services and concludes with a measurement of satisfaction.

B. Local Telephone Service Providers

Relatively few New Jersey small businesses (13%) currently use multiple service providers for local telephone services – one provider for local exchange service and a different provider for intraLATA calling.² However, it should be noted that this percentage does represent tens of thousands of businesses in the state. Interestingly, there is not much that distinguishes a business that uses a single provider for all their local land-line services and a business that purchases these services from multiple providers (Table 2.1).

Businesses that manage more than 15 telephone lines are only slightly more likely than others to utilize multiple providers. However, there is not much difference below that 15-line threshold. For businesses that have between 1 and 15 telephone lines, the percentage that

² Upon initially asking this question, 18 percent of survey participants reported using multiple providers. However, through verification questions in the survey, those who use other providers only for wireless and non-local services were reclassified as single service. This leaves 13 percent who actually use multiple companies for local “land-line” services. *Only one percent of businesses use multiple providers for their local exchange service alone.*

purchase local services from multiple providers ranges from 9 to 18 percent – which is not a statistically significant difference for this survey. There are also no significant differences by annual telephone expenditures, region of the state, and whether the business has one or more locations in New Jersey.

Local telephone service can be divided into two main categories – local exchange service and intraLATA or local toll calling. In terms of local exchange service, more than 4-in-5 businesses report using a “basic” exchange service. Only 1-in-10 report utilizing some other service, such as Centrex or PBX. Another 8 percent are unsure of the type of local exchange service used by their business. About 9-in-10 businesses with only one or two telephone lines have basic exchange service, compared to more than 4-in-5 businesses with 3 to 5 lines and 3-in-4 businesses with 6 to 15 lines. Only half of New Jersey businesses with more than 15 telephone lines use basic exchange service as their primary type of local exchange service. Multiple location companies and those who use multiple telephone service providers are somewhat more likely to use a non-basic local exchange service.

Table 2.2 shows which service providers are utilized by New Jersey small businesses. Nearly 3-in-4 small businesses (73%) utilize Verizon for their local exchange service, 11 percent use AT&T, and 11 percent name others as their local exchange provider. In comparison, 64 percent of businesses say that Verizon provides their intraLATA service, while 16 percent say this is provided by AT&T and 15 percent name another provider or reseller.

Table 2.3 takes a closer look at the provision of local exchange services. Among single location businesses in the state, Verizon accounts for 75 percent of local exchange service, AT&T has 12 percent of the market and other companies hold 10 percent of this sector. Among

multiple location businesses, Verizon has a smaller share (61%), AT&T has a similar share (9%), and other companies have a higher share (21%).

Examining local exchange service providers by the number of telephone lines shows that the key point of differentiation is between 5 and 6 lines. Verizon provides local exchange service to three-fourths of New Jersey small businesses with five or fewer telephone lines. This number drops to two-thirds for businesses with 6 to 15 lines and drops further to just over half among businesses with more than 15 telephone lines.

Among those businesses who purchase “basic exchange” as their local exchange service, 75 percent go with Verizon, 12 percent with AT&T, and 10 percent with another provider. Among those who use another type of exchange service, such as Centrex or PBX, 62 percent use Verizon, 8 percent use AT&T, and 26 percent use other providers.

Table 2.4 provides a similar picture of intraLATA service. However, in this case, the statistical demarcation point occurs at 15 lines. Verizon provides intraLATA service to between 62 and 72 percent of all businesses with 15 or fewer telephone lines. In comparison, Verizon provides intraLATA service to only half of those businesses with more than 15 lines.

It is also helpful to look at these results by service retention – that is the proportion of businesses that use a certain provider for both types of local services. Among businesses with more than one local telephone service provider, 70 percent use Verizon for local exchange service, but only 9 percent use Verizon for intraLATA service.

Another way to examine this is by delineating the providers for local exchange as well as intraLATA services used by businesses in the Verizon service area. Nearly two-thirds of these New Jersey businesses (63%) utilize Verizon for all local services – exchange plus local toll calling. Just over 1-in-5 use either AT&T (11%) or another company (11%) for all their local

services. Another 10 percent of New Jersey businesses use Verizon for local exchange service and another company for intraLATA service. One percent of businesses use another company for local exchange and Verizon for intraLATA.

While Verizon clearly has the lion's share of the market, it does not necessarily have greater "retention" rates among all providers in the state. Verizon retains about 9-in-10 of its local exchange customers for intraLATA service (87%). This is similar to the retention rate for AT&T (96%) and other providers on average (91%).

C. Other Local Telephone Services

The survey also included questions about wireless services and optional features in order to round out the profile of small business telephone services (Table 2.5). In addition to their land-line services, nearly half of all New Jersey small businesses (45%) use wireless phones to make local calls.³ This is particularly true among companies that spend more than \$5,000 a year on local telephone service (61%). Wireless service providers include Verizon Wireless (44% of businesses that use wireless for local calls), AT&T Wireless (21%), Nextel (14%), Cingular (10%), T-Mobile (6%), and Sprint PCS (4%).

Nearly 3-in-4 businesses have some type of optional feature included with their local exchange telephone service. The most popular is voicemail, used by more than 2-in-5 businesses (42%). About one-third of New Jersey businesses have call waiting (35%), call forwarding (33%), or caller ID (33%). One-in-four have a three-way calling feature (26%). About half of the businesses that subscribe to any of these services have the features on all their lines.

There are a few differences in optional feature utilization by business type. Businesses with fewer than four lines are more likely than others to include call waiting with their local telephone service. Those with only one or two lines are least likely to have voicemail, call forwarding, or a three-way calling feature.

In terms of billing, three-fourths of businesses that use multiple providers for local telephone services are billed for all

HOW SERVICES ARE BILLED

SINGLE LOCATION BUSINESS (n=653)

51%	Single consolidated bill for all local/long distance
40	Single bill for all local services
6	Multiple bills for different local services
3	Don't know

MULTIPLE LOCATION BUSINESS (n=148)

12%	Single consolidated bill for all local/long distance for all locations
6	Single bill for local services for all locations
28	Single consolidated bill for all local/long distance for each location
26	Single bill for local services for each location
24	Multiple bills for different local services for each location
3	Don't know

³ In fact, about one percent of businesses name wireless as their primary means of making local telephone calls.

combined local services in one consolidated bill.

Among New Jersey businesses with multiple locations, most receive separate bills for each location. Only 18 percent of these businesses receive a single consolidated bill for all local services (exchange and intraLATA) for all locations.

D. Satisfaction with Local Telephone Service

Regardless of who provides the service, New Jersey businesses report high levels of satisfaction with their combined local telephone service overall (Table 2.6). This includes 53 percent who are very satisfied and 37 percent who are somewhat satisfied. Only 6 percent report not being satisfied with their combined local telephone service. Businesses who use alternate providers (62%) over either Verizon (53%) or AT&T (50%) are slightly more likely to report the highest level of satisfaction (i.e. “very satisfied”), but overall satisfaction is similar for all providers.

Businesses with only one telephone line (66%) are somewhat more likely than those with two or more lines (47-57%) to report being *very* satisfied, but again, overall satisfaction levels are similar.

The most notable difference in satisfaction ratings is between those who use either a single or multiple providers for their local telephone services. While the overall satisfaction levels are similar, businesses with a single provider (56%) are much more likely than those using different providers for their local exchange and intraLATA services (35%) to report being very satisfied with their telephone service. It is unclear from the survey data whether this lower report is a consequence of rating more than one provider or whether those who seek out multiple providers are generally less likely to be very satisfied with their service to begin with. In either

case, about 9-in-10 New Jersey small businesses say they are basically satisfied with the local telephone service they receive.

E. Conclusions

Currently, more than 4-in-5 small businesses in New Jersey purchase both their local exchange and intraLATA telephone services from the same provider. This is true whether the business uses one, two, three, four or five, or six to fifteen telephone lines. Between 80 and 91 percent of these businesses use a single local telephone service provider.

Verizon commands the lion's share of the market. Nearly two-thirds of New Jersey small businesses (63%) use Verizon for both local exchange and intraLATA service. Another 10 percent use Verizon for local exchange only and one percent for intraLATA only. AT&T is utilized by 11 percent of businesses for both local exchange and intraLATA service. Another 5 percent use AT&T for intraLATA only. Other providers are used by 11 percent of businesses for both local exchange and intraLATA service. Another one percent use other providers for local exchange only and 4 percent for intraLATA only.

Retention rates (defined as providing both local exchange and intraLATA service) are similar for all providers in the state. Verizon retains about 9-in-10 of its local exchange customers for intraLATA service (87%), which is similar to the retention rates for AT&T (96%) and other providers on average (91%).

By number of lines, Verizon provides local exchange service to about 3-in-4 businesses that have one (73%), two (76%), three (77%), or four to five (79%) telephone lines. This number drops to 68 percent for those with six to 15 lines and to 54 percent for businesses with more than 15 telephone lines.

Verizon supplies intraLATA service to about 2-in-3 businesses that have one (67%), two (65%), three (64%), four to five (72%), or six to 15 (62%) telephone lines. This number drops to 51 percent for businesses with more than 15 telephone lines.

Overall, about 9-in-10 New Jersey small businesses are satisfied with the local telephone service they receive regardless of who provides the service.

TABLE 2.1: LOCAL TELEPHONE PROVISION

<i>All local services from:</i>	<u>Single Provider</u>	<u>Multiple Providers</u>	<u>Don't Know</u>	<u>(n)</u>
TOTAL	85%	13%	1%	(801)
<u>Local Exchange Service Provider</u>				
- Verizon	87	13	1	(574)
- AT&T	96	4	--	(85)
- Other	81	18	1	(103)
<u>Locations in NJ</u>				
- Single	86	13	1	(653)
- Multiple	82	16	2	(148)
<u>Number of Phone Lines (Total)</u>				
- One	91	9	--	(117)
- Two	87	13	1	(152)
- Three	80	18	2	(96)
- 4 to 5	88	9	3	(137)
- 6 to 15	84	14	2	(168)
- Over 15	78	20	2	(131)
<u>Number of Phone Lines (Main Location Only)</u>				
- One	91	9	--	(125)
- Two	84	14	1	(161)
- Three	81	18	1	(106)
- 4 to 5	88	9	3	(131)
- 6 to 15	85	13	2	(179)
- Over 15	76	22	3	(99)
<u>Annual Local Telephone Costs</u>				
- Under \$1,000	86	12	2	(177)
- \$1,000 – 4,999	87	12	1	(262)
- \$5,000 or more	85	14	1	(167)
<u>Region of State</u>				
- North	86	13	1	(393)
- Central	85	14	1	(198)
- South	85	13	2	(210)

TABLE 2.2: LOCAL TELEPHONE SERVICE PROVIDERS

<u>Local Exchange</u>	<u>PROVIDER</u>	<u>IntraLATA</u>
73%	Verizon	64%
11	AT&T	16
2	MCI/Worldcom	3
2	Allegiance	1
1	ATX	1
1	Cooperative	1
1	Spectratel	1
1	Broadview	1
<1	Sprint	1
--	Capsule Communications	1
4	Other	5
4	Don't Know/No answer	5

TABLE 2.3: LOCAL EXCHANGE PROVIDER

	<u>Verizon</u>	<u>AT&T</u>	<u>Other</u>	<u>Don't Know</u>	<u>(n)</u>
TOTAL	73%	11%	11%	4%	(801)
<u>Local Telephone Service Providers</u>					
- One provider for all local services	74	13	11	2	(677)
- Different provider for exchange and intraLATA	70	4	15	12	(113)
<u>Type of Local Exchange Service</u>					
- Basic	75	12	10	3	(613)
- Other (Centrex, PBX, etc.)	62	8	26	4	(114)
<u>Locations in NJ</u>					
- Single	75	12	10	4	(653)
- Multiple	61	9	21	10	(148)
<u>Number of Phone Lines (Total)</u>					
- One	73	12	10	6	(117)
- Two	76	17	7	1	(152)
- Three	77	10	8	5	(96)
- 4 to 5	79	8	9	4	(137)
- 6 to 15	68	11	16	6	(168)
- Over 15	54	8	28	10	(131)
<u>Number of Phone Lines (Main Location Only)</u>					
- One	73	12	10	5	(125)
- Two	75	15	8	3	(161)
- Three	78	11	6	4	(106)
- 4 to 5	79	10	9	3	(131)
- 6 to 15	68	10	16	6	(179)
- Over 15	48	7	34	12	(99)
<u>Annual Local Telephone Costs</u>					
- Under \$1,000	74	10	13	3	(177)
- \$1,000 – 4,999	77	13	9	2	(262)
- \$5,000 or more	65	11	20	4	(167)
<u>Region of State</u>					
- North	72	10	13	5	(393)
- Central	76	13	9	2	(198)
- South	71	12	10	6	(210)

TABLE 2.4: INTRALATA PROVIDER

	<u>Verizon</u>	<u>AT&T</u>	<u>Other</u>	<u>Don't Know</u>	<u>(n)</u>
TOTAL	64%	16%	15%	5%	(801)
<u>Local Exchange Provider</u>					
- Verizon	87	6	5	1	(574)
- AT&T	4	96	--	--	(85)
- Other	6	1	91	1	(103)
<u>Local Telephone Service Providers</u>					
- One provider for all local services	74	13	11	2	(677)
- Different provider for exchange and intraLATA	9	36	39	16	(113)
<u>Locations in NJ</u>					
- Single	65	17	13	5	(653)
- Multiple	60	11	23	6	(148)
<u>Number of Phone Lines (Total)</u>					
- One	67	16	10	7	(117)
- Two	65	21	11	3	(152)
- Three	64	19	11	6	(96)
- 4 to 5	72	11	14	3	(137)
- 6 to 15	62	12	21	6	(168)
- Over 15	51	14	27	8	(131)
<u>Number of Phone Lines (Main Location Only)</u>					
- One	67	16	10	7	(125)
- Two	64	20	13	3	(161)
- Three	66	19	9	6	(106)
- 4 to 5	71	13	14	2	(131)
- 6 to 15	61	12	22	6	(179)
- Over 15	45	14	30	11	(99)
<u>Annual Local Telephone Costs</u>					
- Under \$1,000	66	15	15	4	(177)
- \$1,000 – 4,999	69	17	12	2	(262)
- \$5,000 or more	56	17	24	4	(167)
<u>Region of State</u>					
- North	65	14	17	4	(393)
- Central	66	18	13	4	(198)
- South	61	19	13	7	(210)

TABLE 2.5: OTHER SERVICES UTILIZED

	Use Wireless for local calls	OPTIONAL SERVICES						(n)
		Voice mail	Call Waiting	Call Forwarding	Caller ID	Three way Calling	None of these	
TOTAL	45%	42%	35%	33%	33%	26%	27%	(801)
<u>Local Exchange Provider</u>								
- Verizon	47	42	35	33	33	25	26	(574)
- AT&T	31	38	39	31	34	21	28	(85)
- Other	43	44	29	37	34	41	31	(103)
<u>Local Telephone Service Providers</u>								
- One provider for all local services	43	42	35	33	33	27	27	(677)
- Different provider for exchange and intraLATA	51	41	30	33	33	24	32	(113)
<u>Locations in NJ</u>								
- Single	44	41	36	31	33	25	28	(653)
- Multiple	51	51	27	44	35	35	24	(148)
<u>Number of Phone Lines (Total)</u>								
- One	29	30	40	22	31	15	36	(117)
- Two	39	35	54	29	44	16	24	(152)
- Three	52	43	45	39	38	28	29	(96)
- 4 to 5	54	49	26	41	30	39	22	(137)
- 6 to 15	50	50	15	29	23	30	28	(168)
- Over 15	51	56	12	44	29	41	26	(131)
<u>Number of Phone Lines (Main Location Only)</u>								
- One	31	28	41	23	30	15	35	(125)
- Two	40	36	53	31	45	18	24	(161)
- Three	48	47	44	39	38	28	28	(106)
- 4 to 5	54	50	24	40	31	37	21	(131)
- 6 to 15	53	49	11	29	19	32	29	(179)
- Over 15	49	55	13	43	30	43	27	(99)
<u>Annual Local Telephone Costs</u>								
- Under \$1,000	42	36	38	29	33	15	33	(177)
- \$1,000 – 4,999	45	42	40	37	38	31	21	(262)
- \$5,000 or more	61	50	19	37	29	37	26	(167)

TABLE 2.6: SATISFACTION WITH LOCAL TELEPHONE SERVICE

	<u>Very Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Not Satisfied</u>	<u>Don't Know</u>	<u>(n)</u>
TOTAL	53%	37%	6%	4%	(801)
<u>Local Exchange Provider</u>					
- Verizon	53	38	6	3	(574)
- AT&T	50	38	4	7	(85)
- Other	62	27	7	4	(103)
<u>Local Telephone Service Providers</u>					
- One provider for all local services	56	35	6	4	(677)
- Different provider for exchange and intraLATA	35	50	11	4	(113)
<u>Locations in NJ</u>					
- Single	55	36	6	4	(653)
- Multiple	45	43	8	4	(148)
<u>Number of Phone Lines (Total)</u>					
- One	66	24	5	5	(117)
- Two	48	39	7	5	(152)
- Three	53	43	3	1	(96)
- 4 to 5	54	36	5	5	(137)
- 6 to 15	50	40	9	2	(168)
- Over 15	49	44	5	2	(131)
<u>Number of Phone Lines (Main Location Only)</u>					
- One	66	24	5	6	(125)
- Two	47	39	8	5	(161)
- Three	49	45	6	1	(106)
- 4 to 5	57	33	5	4	(131)
- 6 to 15	51	42	5	2	(179)
- Over 15	49	43	5	3	(99)
<u>Annual Local Telephone Costs</u>					
- Under \$1,000	56	36	5	2	(177)
- \$1,000 – 4,999	50	43	5	2	(262)
- \$5,000 or more	53	36	8	3	(167)
<u>Region of State</u>					
- North	55	36	7	3	(393)
- Central	53	38	4	5	(198)
- South	52	38	7	4	(210)

LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY: A SURVEY OF SMALL BUSINESSES

CHAPTER 3: LOCAL TELEPHONE COMPETITION

A. Introduction

This chapter presents survey results on awareness of competition in local telephone services and evaluations of the marketplace. The next section discusses knowledge of the current state of competition for local business telephone services in New Jersey. The following sections look at business' desire for choice and the factors that go into choosing a local telephone provider. The chapter concludes with a look at current solicitation by competing providers among small businesses in the state.

B. Awareness of Competition

Seven-in-ten small businesses in the state are aware that they can use one provider for their local exchange and choose a different one for intraLATA service (Table 3.1). This includes 69 percent of businesses who currently use a single provider. Only 8 percent believe that it is not possible to purchase different types of local service from multiple providers. The remainder (22%) say they do not know whether this is allowed in New Jersey. Awareness of telephone competition in the state ranges from 61 percent of single line businesses to 80 percent of businesses that have more than 15 telephone lines.

Furthermore, half of those surveyed (52%) can name a telephone service provider in New Jersey other than the one(s) they currently use (Table 3.2). Another 13 percent say they are

aware that there are other providers in the state but cannot name one, and 35 percent are not aware of other service providers.

As may be expected, those who use a company other than Verizon are somewhat more likely to know of other providers, generally naming Verizon or AT&T as the other provider. There are no significant differences in knowledge of other providers by number of locations in New Jersey, number of phone lines serviced, or annual telephone expenditures.

C. Choice in Local Telephone Service

Most businesses in the state (60%) say they have enough choice when it comes to providers for local telephone services in general (Table 3.3). The remainder are divided – 16 percent feel there is too much choice and 17 percent feel there is too little choice. There are no statistically significant trends in this opinion by type of business or telephone service.

Just over half of small businesses in the state say they would consider switching from their current telephone provider (either for local exchange or intraLATA), with 18 percent saying they would definitely consider this and 36 percent who would possibly consider this (Table 3.4). Another 44 percent would not consider purchasing at least some of their local telephone services from a different company.

Among those who would consider a switch, 72 percent cite price as a major factor in their consideration, 31 percent say service or quality would be a primary consideration, 9 percent would like to have other options open to them, and 7 percent would look for a better package of features. Among those who would not consider changing providers, 60 percent say they are satisfied with the service they currently receive, 10 percent report having problems when they

changed providers in the past, 6 percent say that it would be too much trouble to switch, and 5 percent feel they cannot get a better price on service than what they have now.

While a majority of businesses would consider changing their current local telephone service provider, there are no important differences because of who currently provides that service. Businesses that use Verizon (18%), AT&T (12%), or another company (20%) for their local exchange service are all about as likely to say they would *definitely* consider changing providers. Those using other companies (52%) are more likely than those using either Verizon (35%) or AT&T (32%) to say they would *possibly* consider a switch. The survey results do not indicate what may be behind this slight difference in opinion. Otherwise, there are no significant differences in the consideration of alternate providers by the number of phone lines serviced or the amount of spent on local telephone service.

Survey participants were also asked to rate the importance of six factors in choosing local telephone service. Ratings were given on a ten point scale, with 10 being the highest. While cost is the major consideration of companies that would actively consider switching their local telephone service provider, it ranks lower than quality and service among all New Jersey small businesses.

Of the six factors measured, quality (mean=9.2) and service (mean=9.1) rank the highest, both receiving a greater than 9 average rating (Table 3.5). These are followed by convenience (8.6) and price (8.5). Flexibility (7.5) is in the next tier and the package of optional services available (6.4) is considered the least important of the six factors asked about in the survey.

These rankings are basically the same regardless of the size of the business, number of telephone lines serviced, annual local telephone expenditures, and current local exchange provider.

D. Contact with Other Providers

Three-quarters of New Jersey businesses (75%) have received a telephone solicitation from another local service provider (for local exchange service, local toll calling or both) in the past year or two (Table 3.6). About half (52%) have received a mail or email solicitation in the same time frame. Also, 1-in-5 (19%) have made proactive attempts to shop for alternative providers of at least some of their local telephone service. Verizon (15%) and AT&T (21%) customers are somewhat less likely than those who use other providers (31%) for local exchange service to have made a proactive search of the marketplace. However, they aren't any more or less likely to have received a telephone solicitation from a competitor of their current provider's.

Businesses with more than 15 telephone lines (35%) are somewhat more likely than others to have conducted a proactive search of providers. However, businesses with from one to 15 or more lines are about equally as likely to report having received a telephone solicitation from another local service provider.

Among those who have received solicitations from competing providers, 38 percent say they were offered a better price and 22 percent were offered either better service or a better package of options (Table 3.7). Fewer say these solicitations included an offer of more convenience (18%), more flexibility (17%), or better quality (15%). Overall, about 3-in-10 cannot recall what was offered by these providers.

E. Conclusions

The survey results indicate that smaller businesses are not looking for anything radically different than large businesses when it comes to their local telephone services.⁴ Whether dealing with one telephone line or managing more than 15 lines, New Jersey businesses are similar in their awareness of other telephone service providers, their desire for choice, and their ratings of important telephone service features. Also, smaller businesses are not any more or less likely than large businesses to have been solicited by competing local service providers.

Three-quarters of New Jersey small businesses have received solicitations from local telephone service providers and 6-in-10 feel that they have enough choice available to them in the local telephone market. About 7-in-10 businesses are aware that they can use different providers for their local exchange and intraLATA services.

These findings are generally similar for all types and sizes of small business in the state. The only notable difference in marketplace awareness is that businesses with only one telephone line (61%) are somewhat less likely than those with two or more lines (67-80%) to know that they can use multiple providers for their local telephone services.

⁴ The questions on satisfaction covered in this chapter did not differentiate between local exchange service and intraLATA toll calling.

TABLE 3.1: KNOWLEDGE OF TELEPHONE COMPETITION IN NEW JERSEY

Do you know if New Jersey businesses like yours have to use the same company for LOCAL exchange service and for LOCAL toll calls, or can you use different companies for these two local services, or don't you know about this?

	<u>Can use different providers</u>	<u>Must use same provider</u>	<u>Don't know</u>	<u>(n)</u>
TOTAL	70%	8%	22%	(801)
Business with Single Provider	69	8	23	(677)
<u>Local Exchange Service Provider</u>				
- Verizon	70	7	23	(574)
- AT&T	75	5	20	(85)
- Other	79	8	13	(103)
<u>Locations in NJ</u>				
- Single	69	7	23	(653)
- Multiple	77	9	14	(148)
<u>Number of Phone Lines (Total)</u>				
- One	61	8	31	(117)
- Two	70	6	25	(152)
- Three	76	6	17	(96)
- 4 to 5	67	10	23	(137)
- 6 to 15	74	7	19	(168)
- Over 15	80	9	11	(131)
<u>Number of Phone Lines (Main Location Only)</u>				
- One	62	8	29	(125)
- Two	70	5	25	(161)
- Three	75	8	17	(106)
- 4 to 5	69	10	22	(131)
- 6 to 15	73	7	20	(179)
- Over 15	79	12	9	(99)
<u>Annual Local Telephone Costs</u>				
- Under \$1,000	69	6	25	(177)
- \$1,000 – 4,999	71	8	22	(262)
- \$5,000 or more	79	7	15	(167)
<u>Region of State</u>				
- North	70	9	21	(393)
- Central	72	6	23	(198)
- South	70	7	23	(210)

TABLE 3.2: AWARENESS OF OTHER TELEPHONE SERVICE PROVIDERS

	Can name another company	Aware, but cannot name	Not aware	(n)
TOTAL	52%	13%	35%	(801)
<u>Local Exchange Provider</u>				
- Verizon	46	15	39	(574)
- AT&T	72	11	16	(85)
- Other	76	6	18	(103)
<u>Local Telephone Service Providers</u>				
- One provider for all local services	54	13	33	(677)
- Different provider for exchange and intraLATA	43	12	44	(113)
<u>Locations in NJ</u>				
- Single	52	12	36	(653)
- Multiple	55	14	31	(148)
<u>Number of Phone Lines (Total)</u>				
- One	52	12	36	(117)
- Two	49	14	37	(152)
- Three	51	10	39	(96)
- 4 to 5	52	12	36	(137)
- 6 to 15	55	12	33	(168)
- Over 15	59	15	26	(131)
<u>Number of Phone Lines (Main Location Only)</u>				
- One	51	13	36	(125)
- Two	49	12	39	(161)
- Three	52	11	37	(106)
- 4 to 5	50	13	38	(131)
- 6 to 15	59	13	27	(179)
- Over 15	58	13	28	(99)
<u>Annual Local Telephone Costs</u>				
- Under \$1,000	50	13	37	(177)
- \$1,000 – 4,999	53	12	35	(262)
- \$5,000 or more	57	12	30	(167)
<u>Region of State</u>				
- North	57	10	34	(393)
- Central	48	15	38	(198)
- South	49	16	35	(210)

TABLE 3.3: CHOICE IN LOCAL TELEPHONE SERVICE

	<u>Enough</u>	<u>Too much</u>	<u>Too little</u>	<u>Don't know</u>	<u>(n)</u>
TOTAL	60%	16%	17%	6%	(801)
<u>Local Exchange Provider</u>					
- Verizon	59	15	18	7	(574)
- AT&T	66	20	11	3	(85)
- Other	66	17	13	4	(103)
<u>Local Telephone Service Providers</u>					
- One provider for all local services	61	16	16	6	(677)
- Different provider for exchange and intraLATA	60	18	19	4	(113)
<u>Locations in NJ</u>					
- Single	61	16	16	7	(653)
- Multiple	56	16	24	4	(148)
<u>Number of Phone Lines (Total)</u>					
- One	68	13	11	9	(117)
- Two	59	17	18	6	(152)
- Three	64	13	17	6	(96)
- 4 to 5	57	17	20	7	(137)
- 6 to 15	58	20	16	5	(168)
- Over 15	54	20	22	4	(131)
<u>Number of Phone Lines (Main Location Only)</u>					
- One	68	13	11	8	(125)
- Two	58	18	19	5	(161)
- Three	60	13	20	7	(106)
- 4 to 5	62	16	16	6	(131)
- 6 to 15	58	19	17	6	(179)
- Over 15	51	26	19	4	(99)
<u>Annual Local Telephone Costs</u>					
- Under \$1,000	60	14	20	6	(177)
- \$1,000 – 4,999	62	15	18	5	(262)
- \$5,000 or more	53	22	20	5	(167)
<u>Region of State</u>					
- North	58	18	17	7	(393)
- Central	63	14	17	6	(198)
- South	62	16	17	6	(210)

TABLE 3.4: WOULD CONSIDER CHANGING PROVIDERS

	<u>Definitely Consider</u>	<u>Possibly Consider</u>	<u>Not Consider</u>	<u>Unsure</u>	<u>(n)</u>
TOTAL	18%	36%	44%	2%	(801)
<u>Local Exchange Provider</u>					
- Verizon	18	35	44	2	(574)
- AT&T	12	32	52	4	(85)
- Other	20	52	29	--	(103)
<u>Local Telephone Service Providers</u>					
- One provider for all local services	16	37	44	2	(677)
- Different provider for exchange and intraLATA	23	35	40	2	(113)
<u>Locations in NJ</u>					
- Single	17	36	45	3	(653)
- Multiple	23	37	38	1	(148)
<u>Number of Phone Lines (Total)</u>					
- One	17	30	49	5	(117)
- Two	16	38	44	3	(152)
- Three	16	33	49	1	(96)
- 4 to 5	18	41	40	2	(137)
- 6 to 15	21	34	41	3	(168)
- Over 15	17	46	37	--	(131)
<u>Number of Phone Lines (Main Location Only)</u>					
- One	16	29	51	4	(125)
- Two	18	37	41	3	(161)
- Three	17	34	47	1	(106)
- 4 to 5	17	43	39	1	(131)
- 6 to 15	20	36	41	3	(179)
- Over 15	12	47	40	--	(99)
<u>Annual Local Telephone Costs</u>					
- Under \$1,000	20	28	48	4	(177)
- \$1,000 – 4,999	16	44	40	--	(262)
- \$5,000 or more	20	38	40	1	(167)
<u>Region of State</u>					
- North	17	37	44	2	(393)
- Central	18	38	42	2	(198)
- South	17	35	45	3	(210)

TABLE 3.5: IMPORTANT FACTORS IN CHOOSING LOCAL PHONE SERVICE

<i>Average score out of 10 ("very important")</i>	Quality	Service	Convenience	Price	Flexibility	Optional service packages	(n)
TOTAL	9.2	9.1	8.6	8.5	7.5	6.4	(801)
<u>Local Exchange Provider</u>							
- Verizon	9.1	9.0	8.5	8.4	7.5	6.3	(574)
- AT&T	9.5	9.6	9.0	9.2	7.5	6.7	(85)
- Other	9.4	9.4	8.4	8.7	7.6	6.0	(103)
<u>Local Telephone Service Providers</u>							
- One provider for all local services	9.2	9.1	8.6	8.5	7.5	6.4	(677)
- Different provider for exchange and intraLATA	9.1	9.1	8.4	8.8	7.9	6.0	(113)
<u>Locations in NJ</u>							
- Single	9.2	9.1	8.6	8.5	7.5	6.4	(653)
- Multiple	9.2	8.8	8.4	9.0	7.6	6.4	(148)
<u>Number of Phone Lines (Total)</u>							
- One	9.0	9.0	8.7	8.3	7.4	6.4	(117)
- Two	9.1	9.0	8.6	8.7	7.5	6.5	(152)
- Three	9.2	9.2	8.7	8.5	7.7	6.6	(96)
- 4 to 5	9.3	9.3	8.4	8.4	7.6	6.6	(137)
- 6 to 15	9.1	9.0	8.6	8.5	7.2	5.8	(168)
- Over 15	9.4	9.0	8.3	8.9	8.0	6.2	(131)
<u>Number of Phone Lines (Main Location Only)</u>							
- One	8.9	8.9	8.6	8.3	7.4	6.5	(125)
- Two	9.1	9.0	8.6	8.8	7.5	6.5	(161)
- Three	9.3	9.2	8.8	8.5	7.6	6.6	(106)
- 4 to 5	9.3	9.3	8.4	8.3	7.5	6.5	(131)
- 6 to 15	9.2	9.1	8.4	8.5	7.3	5.8	(179)
- Over 15	9.4	9.1	8.4	9.0	8.3	6.2	(99)
<u>Annual Local Telephone Costs</u>							
- Under \$1,000	9.0	9.1	8.5	8.5	7.4	6.4	(177)
- \$1,000 – 4,999	9.2	9.0	8.6	8.5	7.3	6.3	(262)
- \$5,000 or more	9.3	9.2	8.5	8.9	7.7	6.4	(167)

TABLE 3.6: CONTACT WITH OTHER TELEPHONE SERVICE PROVIDERS

<i>In the past year or two:</i>	<u>Proactive search</u>	<u>Phone solicitation</u>	<u>Mail/email solicitation</u>	<u>(n)</u>
TOTAL	19%	75%	52%	(801)
<u>Local Exchange Provider</u>				
- Verizon	15	74	48	(574)
- AT&T	21	81	53	(85)
- Other	31	75	68	(103)
<u>Local Telephone Service Providers</u>				
- One provider for all local services	18	74	50	(677)
- Different provider for exchange and intraLATA	25	80	63	(113)
<u>Locations in NJ</u>				
- Single	17	75	52	(653)
- Multiple	31	75	55	(148)
<u>Number of Phone Lines (Total)</u>				
- One	15	69	49	(117)
- Two	13	72	48	(152)
- Three	16	79	50	(96)
- 4 to 5	20	76	56	(137)
- 6 to 15	22	81	59	(168)
- Over 15	35	71	52	(131)
<u>Number of Phone Lines (Main Location Only)</u>				
- One	15	70	48	(125)
- Two	14	72	50	(161)
- Three	19	79	49	(106)
- 4 to 5	17	77	56	(131)
- 6 to 15	23	79	59	(179)
- Over 15	39	73	49	(99)
<u>Annual Local Telephone Costs</u>				
- Under \$1,000	16	70	46	(177)
- \$1,000 – 4,999	13	77	53	(262)
- \$5,000 or more	30	79	54	(167)
<u>Region of State</u>				
- North	19	75	52	(393)
- Central	21	73	46	(198)
- South	17	77	58	(210)

TABLE 3.7: COMPETITORS' OFFERS

What did these competitors offer you compared to your current local telephone service provider?

<i>(n=645)</i>	<u>Yes</u>	<u>No</u>	<u>Don't know</u>
Better price	38%	37%	25%
Better service	22	46	32
Better package of optional services	22	49	29
More convenience	18	55	27
More flexibility	17	53	30
Better quality	15	51	34

LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY: A SURVEY OF SMALL BUSINESSES

APPENDIX A: STUDY METHODOLOGY

I. INTRODUCTION

The small business survey of Local Business Telephone Service in New Jersey was developed by the Eagleton Institute's Center for Public Interest Polling at Rutgers University ("Eagleton"). The study, undertaken on behalf of the New Jersey Board of Public Utilities ("NJBPU"), was designed to assess the level of competition in the local telephone marketplace for New Jersey small to mid-size businesses in the Verizon service area.

The study was designed to obtain a baseline of information about current telephone service provision, awareness of choice, and considerations in purchasing local service. The survey involved a sample of 801 small businesses in New Jersey, representative of businesses in the Verizon service area.

II. QUESTIONNAIRE DEVELOPMENT

The questionnaire was developed jointly by Eagleton and NJBPU. Eagleton pretested the questionnaire and revised the content to improve the flow of the questionnaire for telephone administration. The final questionnaire was designed to average 12 minutes in length. A copy of the final survey instrument is included in this report.

The questionnaire was programmed into a CATI (Computer Assisted Telephone Interviews) software system. The questionnaire entailed recording a number of discrete pieces of information depending on how many local service providers a business used and how many

telephone locations the business managed. The CATI system facilitates the rotations and complex skip patterns necessary for this survey instrument.

III. SAMPLE SELECTION

The population under study included all small to mid-size non-government businesses in the Verizon service area of New Jersey. The Dun and Bradstreet business database was used to select a sample of businesses with fewer than 250 employees. The sample was selected so that all business sizes under 250 employees would be adequately represented in the analysis.

Because of the objectives of this survey, the sample excluded those businesses located outside the Verizon service area (encompassing the Warwick and United Telephone service areas). The final sample represents more than 95 percent of all businesses operating in the state. Throughout this report the results shown represent New Jersey businesses in the Verizon service area.

IV. DATA COLLECTION AND RESPONSE RATE

NJBPU mailed out introductory letters to approximately 3,200 businesses Eagleton had selected for the sample. These letters asked for the business' cooperation in the study and informed the officer or manager that they may be contacted by a telephone interviewer. Eagleton assigned Schulman, Ronca, and Bucuvalas, Inc (SRBI), a large telephone field house with offices in New Jersey, to conduct the actual interviews.

Each existing business was called a minimum of ten times during business hours on different days of the week in an effort to reach businesses that were selected for the initial sample. The remaining businesses in the sample were used to replace ineligible businesses or

those that refused to participate in the study. Interviews were conducted with the person in the business who is primarily responsible for the procurement of local telecommunications services.

The CATI interviews were conducted with 801 businesses from March 6 to April 10, 2003 by professional and experienced interviewers who were trained and monitored by the Eagleton research staff. Interviewers were monitored during each shift by line supervisors.

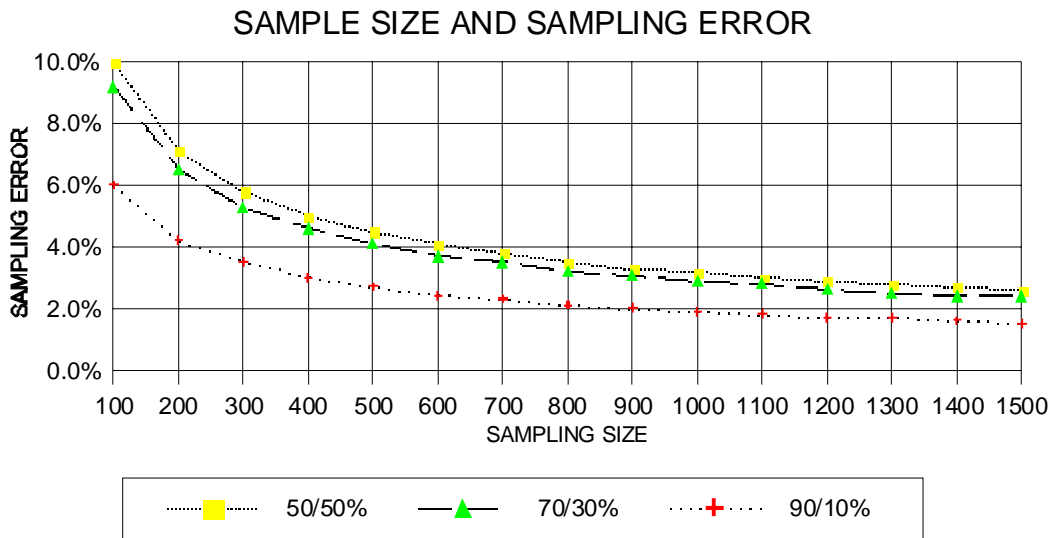
Overall, the survey yielded a cooperation rate of 82 percent among all eligible businesses that were contacted. Using a formula developed by the Council of American Survey Research Organizations (CASRO), the overall response rate for this survey is 50 percent.

V. DATA ANALYSIS

An SPSS (Statistical Package for the Social Sciences) computer file was developed to process the CATI information. While all survey participants were asked about their current local telephone service, the manner in which the information was recorded differed depending on whether they were a single or multiple location company and whether they used one or more telephone service providers. This information was distilled into singular summary variables to facilitate the analysis. After an initial set of frequency distributions were created, additional profile (subgroup) analysis was performed.

A number of grouping variables were created. The key groupings for this analysis involve the number of telephone lines used by a business, the providers of local telephone service, and annual local telephone expenditures.

The percentages obtained in a sample survey are estimates of what the distribution of responses would be if the entire population had been surveyed. “Sampling error” is a social science term which describes the probable difference between interviewing everyone in a given



population and a sample drawn from that population. The overall sampling error associated with a statewide sample of 801 businesses is ± 3.5 percent at a 95 percent confidence interval and 50/50 margins (e.g. 50% say “yes” and 50% say “no” to a question). Thus, if 50 percent of those in such a sample are found to report a particular attitude, the percentage of agreement among businesses in the population from which the sample is drawn would be between 46.5 percent and 53.5 percent (50 percent ± 3.5 %) 95 times out of 100.

Sampling error increases as the effective sample size is reduced. For example, if statements are made based on businesses with only one telephone line ($n=125$), the sampling error is approximately ± 8 percent. For sample groupings below $n=100$, the ability to make statistical inferences decreases significantly. For example, an n -size of 50 has a ± 14 percent margin of error. This is important when comparing the responses of different groups within the sample. Readers should also note that sampling error does not take into account other possible sources of error inherent in any study of public opinion.

VI. SURVEY PARTICIPANT INFORMATION

What is your position in the company?

64%	CEO/President/Owner
4	CFO/Chief Financial Officer/Treasurer
4	Vice President
19	Business/Office Manager
2	Exec director/Director of operations
3	Administrative support
2	IS/IT/Communications manager/director/Network Administrator
2	Other

Is this location the headquarters or main location for your company? Is your headquarters located in New Jersey or in another state?

94%	This is company's headquarters
3	Headquarters is elsewhere in New Jersey
3	Headquarters is in another state

How many locations does your company have in New Jersey?

80%	One
15	2 to 5
5	More than 5

And for how many locations are you responsible for purchasing local telecommunications services?

85%	One
11	2 to 5
4	More than 5

When purchasing these services, is it done at the corporate or main office level or at the local level by a location manager?

80%	Single location
13	Corporate level
6	Local level
1	Other/DK/RF

And are they purchased for all locations within the state as part of a master agreement or purchased location by location?

80%	Single location
8	Master agreement
11	Location by location
1	Other/DK/RF

**LOCAL BUSINESS TELEPHONE SERVICE IN NEW JERSEY:
A SURVEY OF SMALL BUSINESSES**

**APPENDIX B:
QUESTIONNAIRE**

COMPANY PROFILE

READ-IN FROM SAMPLE FRAME

SIC CODE; # EMPLOYEES; ZIP CODE; AREA CODE

WITH RECEPTIONIST:

Hello. My name is _____ (*first and last name*). I'm on the staff of the Eagleton Poll at Rutgers University. I am calling in reference to a letter that was sent from the New Jersey Board of Public Utilities. I'd like to speak to the person in your company who **is responsible** for your **local** telephone service.

IF NOT AVAILABLE GET CONTACT INFORMATION:

NAME: _____

TITLE: _____

PHONE: _____

BEST TIME TO REACH: _____

WITH CORRECT CONTACT:

Hello. My name is _____ (*first and last name*). I'm on the staff of the Eagleton Poll at Rutgers University. We are conducting a study for the New Jersey Board of Public Utilities in order to gain an understanding of how businesses in the state obtain local telephone service. You should have received a letter from the B.P.U. about this.

The interview will only take 10 minutes to complete. Yours is one of 800 businesses that have been selected to participate in this survey. Therefore your participation is critical to the success of the study. Also, your responses will be completely confidential.

IF DIRECT CONTACT IS NOT MADE ON FIRST ATTEMPT:

Could you please have him/her call me back at 1-800-xxx-xxxx and ask for

_____ .

NOTE: Re-fax letter if requested. Can also give contact names and information from letter. Try to complete interview. If not, reschedule.

1. Are you the person primarily responsible for purchasing local telecommunications services for this location? *[INTERVIEWER NOTE: We are looking for the person who is responsible for purchasing or paying the company's local telephone services]*

1. Yes
2. No, done at other location --> Get contact info for that person and change sample to reflect new contact. THANK and END
9. Don't know/Refuse --> TERMINATE

2. What is your position in the company?

1. CEO/President/Owner
2. CFO/Chief Financial Officer/Treasurer
3. Vice President
4. Business/Office Manager
5. Exec director/Director of operations
6. Administrative support
7. IS/IT/Communications manager/director/Network Administrator
8. Other (specify: _____)
9. Don't know/Refuse

3. Is this location the headquarters or main location for your company? **[Referring to the location where we reached this person]**

1. Yes
2. No >>> ASK Q3A
3. Other, describe: _____ >>> ASK Q.3A

- 3A. Is your headquarters located in New Jersey or in another state?

1. New Jersey
2. Other state, specify: _____
3. New York
4. Georgia
5. Ohio
6. Virginia
7. Pennsylvania
8. Illinois
10. Colorado

4. How many locations does your company have in New Jersey?

/_____/ Record Number
Get a best estimate if unsure
If **Refusal – terminate**

[SINGLE LOCATION – SKIP TO Q.8] [IF MORE THAN ONE, ASK Q.5-7:]

5. And for how many locations are you responsible for purchasing local telecommunications services?

/_____/ Record Number

Get a best estimate if unsure

TERMINATE IF REFUSE

6. When purchasing these services, is it done at the corporate or main office level or at the local level by a location manager?

1. Corporate level
2. Local level
3. Other/Depends: Specify:_____
9. DK/RF

7. And are they purchased for all locations within the state as part of a master agreement or purchased location by location?

1. Master agreement
2. Location by location
3. Other/Depends: Specify:_____
9. DK/RF

ASK EVERYONE:

8. How many local telephone lines, including dedicated fax and modem lines, do you have at this location?

/_____/ Record Number

Get a best estimate if unsure

98 -- Record range if can't be specific _____

Refusal not acceptable – terminate

[IF MORE THAN ONE LINE IN Q.8, ASK:]

- 8_1. And how many of these are used for fax purposes only?

/_____/ Record Number

Get a best estimate if unsure

98 -- Record range if can't be specific _____

8_2. And how many of these are used for modem or data transfer purposes only?

/ _____ / Record Number

Get a best estimate if unsure

98 -- Record range if can't be specific _____

[IF MULTIPLE LOCATIONS in Q.5 ASK Q.8A for up to 4 additional locations:]

8A. How many telephone lines do you have at your
[SECOND/THIRD/FOURTH/FIFTH] location in the state?

/ _____ / Record Number

Get a best estimate if unsure

98 -- Record range if can't be specific _____

Refusal not acceptable – terminate

[IF MORE THAN 5 locations in Q.5, ASK Q.8B as well:]

8B. And thinking of the remaining [# in Q.5 - 5] locations in the state, how many telephone lines are there at all your other locations combined?

/ _____ / Record Number

Get a best estimate if unsure

98. Record range if can't be specific _____

99. Don't Know/Refuse

ASK EVERYONE:

As you know, you can have different service providers for your long distance and local telephone services. The following questions are about your LOCAL service only.

9. Do you know if New Jersey businesses like yours have to use the same company for LOCAL exchange service and for LOCAL toll calls, or can you use different companies for these two local services, or don't you know about this?

1. Must use same companies for local exchange and toll calls
2. Can use different companies
9. Don't know

10. Do you purchase all the LOCAL telephone services, including LOCAL exchange service and for LOCAL toll calls, **[READ IN IF MULTIPLE LOCATIONS: for the locations you are responsible for]** from a single company or do you deal with more than one local company? ***[IF DON'T KNOW, probe for best guess before accepting DK response]***

1. Single local telephone company >> GO TO Q.11
2. More than one company >>> SKIP TO Q.19 INSTRUCTIONS
9. Don't Know >>> SKIP TO Q.19 INSTRUCTIONS

[IF "SINGLE PROVIDER" IN Q.10:]

11. Which of the following best describes your company's PRIMARY means for completing local telephone calls: basic exchange service - similar to a residential line, I.S.D.N., Centrex, P.B.X. or private branch exchange, V.O.I.P. or voice over Internet protocol, or wireless telephones? **[CHOOSE ONE]**

1. Basic exchange service - similar to a residential line
2. I.S.D.N.
3. Centrex
4. P.B.X. or private branch exchange
5. V.O.I.P. or voice over Internet protocol
6. Wireless telephones
8. Other, specify: _____
9. DK/RF

12. Who is your current local service provider? **[IF "WIRELESS" SELECTED IN Q.11 add "for your land-lines"]**

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
8. Other, specify: _____
9. No Answer

[IF "WIRELESS" NOT SELECTED IN Q.11, ASK:]

13. Do you also use wireless services to make local calls?

1. Yes
2. No
9. DK

[IF "WIRELESS" SELECTED IN Q.11 or "YES" to Q.13, ASK Q.14. OTHERS SKIP TO Q.15:]

14. Who is your current local wireless provider? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon WIRELESS
2. AT&T WIRELESS
3. T-Mobile
4. Sprint PCS
5. Nextel
6. Cingular
8. Other, specify: _____
9. No Answer

15. To confirm, is it accurate to say that you are currently purchasing all your land-line based local service, including local exchange services and local toll calling, from a single provider? **[If NEEDED, "I am only asking about land lines"]**

- 1. Yes
- 2. No, explain: _____
- 9. DK

[IF MULTIPLE LOCATIONS IN Q.5, ASK Q.16]

16. And this is true for all locations you are responsible for?

- 1. Yes
- 2. No, explain: _____
- 9. DK

17. Do you currently purchase or utilize any of the following features along with your local telephone service – **[READ ITEMS]**?

	<u>Yes</u>	<u>No</u>	<u>DK</u>
a. Caller ID	1	2	9
b. Call Waiting	1	2	9
c. Call Forwarding	1	2	9
d. Three-way Calling	1	2	9
e. Voice Mail	1	2	9

[IF "YES" TO ANY ITEM IN Q.17, ASK:]

18. Are the features purchased on all your lines, most of your lines, or just some of your lines?

- 1. All lines
- 2. Most lines
- 3. Some lines
- 4. Depends/Mixed, specify: _____
- 9. DK/RF

ALL GO TO Q.36

[IF SINGLE LOCATION IN Q.4 or Q.5 and “MULTIPLE PROVIDERS” or “DON’T KNOW” IN Q.10, ASK FOLLOWING. IF MULTIPLE LOCATIONS SKIP TO Q.26:]

19. Which of the following best describes your company’s PRIMARY means for completing local telephone calls: basic exchange service - similar to a residential line, I.S.D.N., Centrex, P.B.X. or private branch exchange, V.O.I.P. or voice over Internet protocol, or wireless telephones? **[CHOOSE ONE]**

1. Basic exchange service - similar to a residential line
2. I.S.D.N.
3. Centrex
4. P.B.X. or private branch exchange
5. V.O.I.P. or voice over Internet protocol
6. Wireless telephones
8. Other, specify: _____
9. DK/RF

20. Now, who provides your local exchange service – that is the actual telephone connections for your land-lines? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
5. Other, specify: _____
9. No Answer

21. And who provides your local TOLL calling, also known as IN-TRA LATA service? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
5. Other, specify: _____
9. No Answer

[IF “WIRELESS” NOT SELECTED IN Q.19, ASK:]

22. Do you also use wireless services to make local calls?

1. Yes
2. No
9. DK

[IF “WIRELESS” SELECTED IN Q.19 or “YES” to Q.22, ASK Q.23. OTHERS SKIP TO Q.24:]

23. Who is your current local wireless provider? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon WIRELESS
2. AT&T WIRELESS
3. T-Mobile
4. Sprint PCS
5. Nextel
6. Cingular
8. Other, specify: _____
9. No Answer

24. Do you currently purchase or utilize any of the following features along with your local telephone service – **[READ ITEMS]**?

	<u>Yes</u>	<u>No</u>	<u>DK</u>
a. Caller ID	1	2	9
b. Call Waiting	1	2	9
c. Call Forwarding	1	2	9
d. Three-way Calling	1	2	9
e. Voice Mail	1	2	9

[IF “YES” TO ANY ITEM IN Q.24, ASK:]

25. Are the features purchased on all your lines, most of your lines, or just some of your lines?

1. All lines
2. Most lines
3. Some lines
4. Depends/Mixed, specify: _____
9. DK/RF

ALL GO TO Q.36

[IF MULTIPLE LOCATIONS IN Q.15 and “MULTIPLE PROVIDERS” or “DON’T KNOW” IN Q.10, ASK FOLLOWING]

26. Now thinking of this location, which of the following best describes this location’s PRIMARY means for completing local telephone calls: basic exchange service - similar to a residential line, I.S.D.N., Centrex, P.B.X. or private branch exchange, V.O.I.P. or voice over Internet protocol, or wireless telephones? **[CHOOSE ONE]**

1. Basic exchange service - similar to a residential line
2. I.S.D.N.
3. Centrex
4. P.B.X. or private branch exchange
5. V.O.I.P. or voice over Internet protocol
6. Wireless telephones
8. Other, specify: _____
9. DK/RF

27. Is this the same for all other locations you are responsible for?

1. Yes
2. No >>> ASK Q.27A
9. DK/RF

27A. What services are used as primary means of local calling for your other locations? **[ACCEPT MULTIPLE RESPONSES]**

1. Basic exchange service - similar to a residential line
2. I.S.D.N.
3. Centrex
4. P.B.X. or private branch exchange
5. V.O.I.P. or voice over Internet protocol
6. Wireless telephones
8. Other, specify: _____
9. DK/RF

27B. How many locations have **[READ SERVICE – REPEAT AS NECESSARY, including all from Q.26 and Q.27A]**?

/_____/

28. And what company provides **[READ SERVICE – REPEAT AS NECESSARY, including all from Q.26 and Q.27A]**? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
8. Other, specify: _____
9. No Answer

29. And at this location, who provides you local toll calling or IN-TRA LATA service?
[ACCEPT MULTIPLE RESPONSES]

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
5. Other, specify: _____
9. No Answer

30. Is this the same for all other locations you are responsible for?

1. Yes
2. No >>> ASK Q.30A
9. DK/RF

30A. What other providers do you use at these locations? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
5. Other, specify: _____
9. No Answer

[IF "WIRELESS" NOT SELECTED IN Q.26 or Q.27A, ASK:]

31. Do you also use wireless services to make local calls?

1. Yes
2. No
9. DK

[IF "WIRELESS" SELECTED IN Q.26/27A or "YES" to Q.31, ASK Q.32. OTHERS SKIP TO Q.33:]

32. Who is your current local wireless provider? **[ACCEPT MULTIPLE RESPONSES]**

1. Verizon WIRELESS
2. AT&T WIRELESS
3. T-Mobile
4. Sprint PCS
5. Nextel
6. Cingular
8. Other, specify: _____
9. No Answer

33. Do you currently purchase or utilize any of the following features along with your local telephone service – **[READ ITEMS]**?

	<u>Yes</u>	<u>No</u>	<u>DK</u>
a. Caller ID	1	2	9
b. Call Waiting	1	2	9
c. Call Forwarding	1	2	9
d. Three-way Calling	1	2	9
e. Voice Mail	1	2	9

[IF “YES” TO ANY ITEM IN Q.33, ASK Q.34/35:]

33. And do all your locations have these services, or just some.

1. All
2. Some
3. (VOL) Depends on the service
9. DK/RF

35. And at these locations are the features purchased on all your lines, most of your lines, or just some of your lines?

1. All lines
 2. Most lines
 3. Some lines
 4. Depends/Mixed, specify: _____
 9. DK/RF
-

ASK EVERYONE:

36. Overall, how satisfied are you with your company's local telephone service: – very satisfied, somewhat satisfied, not very satisfied, or not at all satisfied?

1. Very satisfied
2. Somewhat satisfied
3. Not very satisfied
4. Not at all satisfied
9. Don't know

37. When it comes to choosing a local service provider, do you feel that your company has: enough choice when it comes to your local telephone service , too much choice, or too little choice?

1. Enough choice
2. Too much choice
3. Too little choice
9. Don't know

38. When it comes to purchasing local telecommunications service, how important are the following factors to your business? Please rate them on a scale from 1 to 10, with 1 being not at all important and 10 being very important. You may use any number between 1 and 10. [READ ITEM:] -- How important is this on a scale from 1 to 10?

	ROTATE	<u>DK</u>
a.	Price _____	99
b.	Service _____	99
c.	Quality _____	99
d.	Convenience _____	99
e.	Flexibility _____	99
f.	Package of optional services _____	99

39. Are you aware of any other telephone companies in your area that provide local telephone service?

1. Yes >>> ASK Q.39A
2. No >>> SKIP TO Q.40
9. Don't Know >>> SKIP TO Q.40

39A. Can you name any of these companies? [**ACCEPT MULTIPLE RESPONSES**]

1. Verizon
2. AT&T
3. Sprint
4. WorldCom
5. Other, specify: _____
9. Don't Know

40. Would you consider purchasing LOCAL telephone service from a company other than your current provider – Would you definitely consider this, possibly consider this, or not consider this? **[IF NEEDED: “Assuming the choice was available to you”]**

1. Definitely consider this
2. Possibly consider this
3. Not consider this
9. Don't Know >>> SKIP TO Q.41

40A. Why would you **[READ IN FROM Q.40]**?

1. Gave response, record: _____
2. Don't know/No answer

41. In the past year or two, has anyone from your company actively shopped around for alternatives to your current local provider WITHOUT being contacted first?

1. Yes
2. No
9. Don't know

42. Have you received a telephone solicitation from another company offering local telephone services for your business in the past year or two?

1. Yes
2. No
9. Don't know

43. And have you received any other type of solicitation, such as mail or email, from another local telephone service provider in the past year or two?

1. Yes
2. No
9. Don't know

[IF Q.41, Q.42, or Q.43 is “YES”, ASK Q.44. OTHERS SKIP TO Q.45]

44. Did any of these competitors offer you **[READ ITEM]** compared to your current local telephone service provider?

ROTATE		<u>Yes</u>	<u>No</u>	<u>DK</u>
a.	A better price	1	2	9
b.	Better service	1	2	9
c.	Better quality	1	2	9
d.	More convenience	1	2	9
e.	More flexibility	1	2	9
f.	A better package of optional services	1	2	9

We're just about finished. I just need to ask a few questions so we can group the survey information.

45. When it comes to managing your telecommunications services, do you receive a single consolidated telephone bill for all your telecommunications services, including basic local service, IntraLATA service -- which covers your local TOLL calls, and InterLATA service -- which covers your long distance calls?

1. Yes
2. No >>> **SKIP TO Q.45B**
3. Other, describe: _____
9. DK/RF >>> **SKIP TO Q.45B**

[ASK Q.45A ONLY IF Q.45=1,3 AND MULTIPLE LOCATIONS IN Q.5]

- 45A. And do you receive one bill for ALL your locations combined or do you receive a bill for each location?

1. Receive one combined bill for all locations >> **SKIP TO Q.46**
2. Receive a bill for EACH location >> **SKIP TO Q.46**
3. Mixed, some single and some combined >> **SKIP TO Q.46**
9. DK/RF >> **SKIP TO Q.46**

- 45B. Do you receive a single bill for all your LOCAL services, that is local exchange service and local toll calls?

1. Yes
2. No >>> **SKIP TO Q.46**
3. Other, describe: _____
9. DK/RF >>> **SKIP TO Q.46**

[ASK Q.45C ONLY IF Q.45B=1,3 AND MULTIPLE LOCATIONS IN Q.5]

- 45C. And do you receive one local telephone bill for ALL your locations combined or do you receive a bill for each location?

1. Receive one combined bill for all locations
2. Receive a bill for EACH location
3. Mixed, some single and some combined
9. DK/RF

46. What are your annual expenditures for LOCAL telephone service in New Jersey for all the locations you are responsible for? Your best estimate is fine. [**NOTE:** This is only for land-line service.]

\$ _____

Get a best estimate if unsure

8. Record range if can't be specific _____

9. Don't Know/Refuse

47. How many employees does your company have?

1. One

2. 2 – 4

3. 5 – 9

4. 10 – 24

5. 25 – 49

6. 50 – 99

7. 100 – 249

8. 250 or more

9. No answer

48. And what is your company's annual sales or revenue?

\$ _____

Get a best estimate if unsure

[Record \$0 if running a loss]

7. Not-for-profit organization/public agency

8. Record range if can't be specific _____

9. Don't Know/Refuse

That is the end of the survey.

Thank you very much for your participation. Your responses will be very helpful to the B.P.U. in considering future local telephone services for New Jersey.